

BFL CANADA

Realty Insurance Services

Market Insights – Spring 2025



Insurance Market Showing Positive Signs for 2025

Canada's insurance industry faced a challenging time in 2024, but — based on the first quarter of 2025 — analysts are confident about the year ahead, predicting an opportunity for growth and stability. This optimism is based on the industry benefiting from a well-capitalized market which means that insurers can offer competitive coverage options to their clients avoiding severe premium fluctuations.

One important reason for this bullish outlook has been the impressive technological advances delivered by AI-driven risk assessments and enhanced risk modelling. These powerful tools are improving underwriting accuracy and claims efficiency, which means better service for policyholders. This ensures that the market can effectively navigate hazards, while offering clients tailored coverage solutions. And this ability to adapt demonstrates the industry's strength and charts an encouraging path for the rest of 2025.

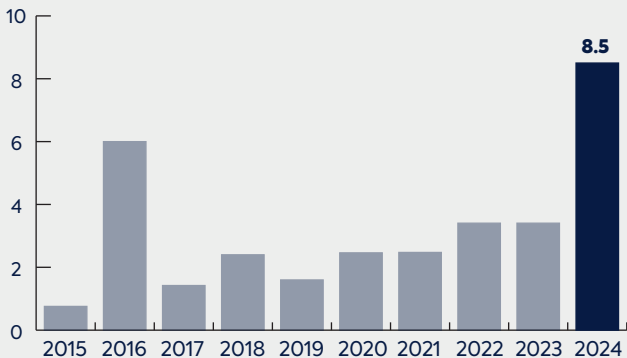
Reinsurance Treaty Renewals and a Soft Market Cycle

Although the term reinsurance treaty sounds like an agreement between nations, in insurance industry terminology it refers to the insurance purchased by an insurance company from another insurer. Canada's reinsurance treaty renewals in January 2025 took place in a stable market environment despite record-breaking natural catastrophic losses totalling \$8.5 billion in 2024 — largely due to wildfires in Jasper, hail in Calgary and flooding in Ontario and Quebec.

Top 4 Catastrophe Events in 2024

	Cost (\$ bn)	Catastrophic Event
1	3.6	Calgary Hailstorm
2	2.7	remnants of Hurricane Debby
3	1.1	Jasper Wildfire
4	1.1	Ontario region Flooding

Catastrophic Losses 2015-2024 (\$bn)



Source:

2024 shatters record for costliest year for severe weather-related losses in Canadian history at \$8.5 billion, Insurance Bureau of Canada, ibc.ca

Reinsurers maintained capacity, ensuring that primary insurers could secure necessary coverage without major challenges.

This stability was attributed to the global reinsurance market's resilience and positive risk management practices adopted by both reinsurers and business partners. Consequently, renewal negotiations proceeded smoothly with terms and conditions remaining relatively consistent with previous years.

This stability has contributed to a softening market in the Canadian property and casualty sector. A softening market is beneficial for policyholders — including multi-residential properties such as apartment complexes, co-ops, strata and condo corporations — as it typically brings increased insurer capacity, broader coverage grants, and lower premiums. This means improved access to comprehensive policies and enhanced financial predictability and allows for efficient budgeting while ensuring robust insurance protection.

Market Conditions – The Year Ahead

Despite the extraordinary losses of 2024, the market has remained steady and resilient. An increase in reinsurance capacity and new capital entering the Canadian marketplace has offset some of the pressures on rates and deductibles. This has allowed stability in rating, coverage and deductibles which has been welcome news for many multi-residential clients, including many strata and condo corporations that had faced uncertainty in the previously hard market.

To add some perspective, because of significant losses to aging properties during the most recent hard market, the residential property category was hit hard financially. So, it's essential to learn from past experience and practice good risk management and continually invest in property upgrades to avoid a repeat.



And, it is important to recognize that market conditions can always shift. Potential drivers of a return to a hard market cycle in 2025 include:

- **The possibility of several natural catastrophic events** occurring in specific regions
- **Isolated loss performance** of a specific class of business, such as residential properties including apartment complexes, strata or condo corporations
- **Inflationary pressures** on rebuilding cost and claims expenses
- **Regulatory changes**, regarding modelling earthquake coverage which impacts underwriting guidelines



There are also emerging economic and geo-political factors that could influence the insurance marketplace such as:

- **Tariffs on building materials** that could increase reconstruction costs, which will impact the overall expense of a claim
- **Supply chain disruptions** resulting in longer repair and claims resolution time

While the environment remains favourable to date, consulting with your BFL representative and staying informed about potential market shifts will help residential property owners, apartment, strata and condo corporations and their property managers make proactive risk management decisions. Remember that while external factors remain a top consideration, the market's adaptability and the industry's pre-emptive approach will assist in mitigating volatility, allowing policyholders to continue benefiting from competitive insurance solutions.

Wildfires and Natural Disasters are Top Threats

Wildfires have emerged as a key concern for the Canadian insurance industry. Wildfires in Jasper last year led to substantial insured losses and highlighted the increasing frequency and severity of such events. This trend is not isolated to Canada; California has also faced devastating wildfires which with claims at \$20 billion was the costliest in their history.

The threat of wildfires is a key consideration for Canadian insurers especially around property insurance rating and deductibles. Insurers are reassessing their underwriting practices, particularly in high-risk areas, and are likely to adjust premiums and increase deductibles to account for elevated hazards. Policyholders in wildfire-prone regions may also face in-depth conversations on risk management and preventative measures around the threat of wildfire and how to reduce it.

Beyond wildfires, insurers are also closely monitoring other national disaster trends, including:



Hailstorms in the prairies that severely damage structures



Flooding in eastern Canada, which continues to threaten urban and suburban communities

While the threat from weather-related events is on the rise, so are the opportunities to prepare for them and make properties resilient when they do strike. BFL has been working with multi-family residences, including owners, strata and condo corporations and property managers to adopt proactive risk management strategies that not only help mitigate perils but also position them positively in the eyes of insurers, leading to more favorable terms.

Costliest Wildfires in Canadian History



Fort McMurray 2016

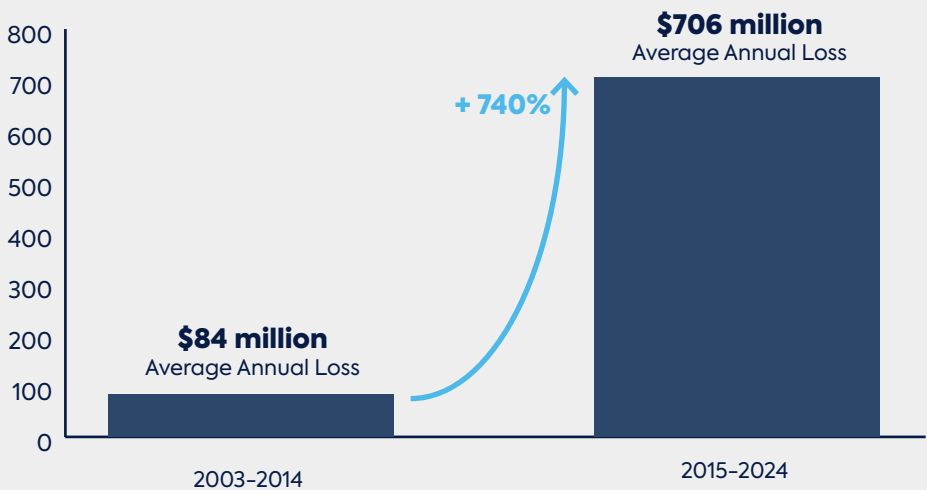
\$6 bn insured losses
2,400 homes & buildings



Jasper 2024

\$1.23 bn insured losses
1/3 of homes & businesses

Average Insured Catastrophic Fire Losses Costs in Canada



Source:

IBC InBrief: Lessons for Canadian policymakers from the California insurance crisis, April 2025, Insurance Bureau of Canada, ibc.ca

Simple Risk Management Steps

To meet the changing insurance marketplace, strata and condo corporations and property managers can work with their insurance representative and take key steps to strengthen their properties against potential hazards. They can take simple steps to:



Implement wildfire mitigation strategies such as planting fire-resistant landscaping, removing organic material from the ground around the perimeter of the complex and complying with fire safety requirements



Utilize impact-resistant roofing and conduct regular building inspections in the event of hail to ensure there are no gaps in the exterior cladding that would allow water into the structure



Prevent and mitigate flood risks by ensuring proper drainage systems, sump pumps and water diversion strategies are in place

In conclusion, the Canadian insurance industry in Q1 2025 navigated a landscape shaped by recent catastrophic losses, evolving environmental threats, and geopolitical dynamics. Despite these challenges, the market remains robust, with sufficient capacity to meet policyholder needs. Insurers, reinsurers, and brokers are actively adapting to these developments to maintain stability and provide effective risk management solutions.

The Importance of the Broker's Role in 2025

As you can see, in the evolving landscape of the Canadian insurance industry, brokers play a pivotal role, which was brought to the fore in the first quarter of 2025.

Overall, they provide valuable guidance to clients helping them to navigate the complexities of the insurance market, understand policy changes, and secure appropriate coverage tailored to their needs. Their expertise is crucial in educating clients about risk mitigation strategies and managing emerging threats from natural catastrophes and geopolitical uncertainty.

Brokers also advocate on behalf of clients during renewal negotiations, determined to obtain favorable terms and conditions. Specialty brokers who have broad industry access and in-depth knowledge can help navigate a fluctuating and at times challenging market. By staying informed about market trends and leveraging their relationships with insurers, brokers ensure that clients are well-protected in a dynamic risk environment.



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bflcanada.ca/realty-insurance-services